

Message Text

CONFIDENTIAL

PAGE 01 LIMA 04853 180011Z

72

ACTION EB-03

INFO OCT-01 SS-14 ISO-00 ARA-10 EUR-10 SP-01 L-02 CEA-01

STR-01 FEA-01 COME-00 INT-01 OMB-01 TRSE-00 CIAE-00

INR-10 NSAE-00 RSC-01 PRS-01 NSC-07 NSCE-00 SSO-00

USIE-00 INRE-00 DRC-01 /066 W

----- 057213

O 172320Z JUN 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 0581

CONFIDENTIAL LIMA 4853

LIMDIS

E.O. 11652: GDS

TAGS: EIND, ENRG, EMIN, PE

SUBJ: CUAJONE NEGOTIATIONS SUFFER RELAPSE

REF: LIMA 4407 AND PREVIOUS

1. SUMMARY: WISE TOLD AMBASSADOR JUNE 17 THAT FOUR CO- OWNERS SERIOUSLY COMPROMISED BY INEPTNESS AND SUSPICION ON BOTH SIDES AND THAT NEGOTIATIONS IN VERY SERIOUS PHASE. WISE SAID BOARDS OF DIRECTORS OF FOUR CO-OWNERS OF SPCC ENRAGED BY CHASE MANHATTAN CABLE, SENT WITHOUT CLEARANCE TO MINERO- PERU, STATING THAT CHASE WAS WILLING ACCEPT ONE OF NEGO- TIATING CONDITIONS WHICH HAD BEEN REJECTED BY FOUR CO- OWNERS. THIS GAFF SO INCENSED CO-OWNERS THEY NOW CON- SIDERING SERIOUSLY WITHDRAWING FROM NEGOTIATIONS AND OFFERING PERU MAJORITY BUY-OUT. DUE SENSITIVITIES INVOLVED, WISE REQUESTS DEPARTMENT CONTACT BARBER OF ASARCO ASAP TO DE- TERMINE HIS POSITION AND RELAY VIEWS TO WISE VIA EMBASSY. FURTHER, MINEROPERU HAS ALSO LAID DOWN NEW AND ONEROUS CONDITIONS FOR NON-U.S. SUPPLIERS WHICH THEY MAY NOT BE ABLE ACCEPT. END SUMMARY.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LIMA 04853 180011Z

2. REPORTING BIZARRE SERIES OF DEVELOPMENTS, WISE TOLD

AMBASSADOR THAT AFTER DAYS OF INTENSE NEGOTIATIONS, MINEROPERU EARLY LAST WEEK ACCEPTED IDEA OF TOLLING WIREBARS THROUGH ILO REFINERY RATHER THAN CATHODES, AND WISE THOUGHT FINAL HURDLE TO SETTLEMENT OVERCOME. AT THIS POINT, FOUR CO-OWNERS REJECTED IDEA BECAUSE THEIR FINANCIAL BACKERS WOULD NOT ACCEPT IT (INCLUDING CHASE), AND MINEROPERU WAS SO INFORMED. THEN, WITHOUT CLEARANCE FROM ANYONE, AN INEXPERIENCED CHASE OFFICIAL SENT A DIRECT TELEX TO MINEROPERU INFORMING LATTER THAT CHASE HAD NO OBJECTION TO WIREBARS AFTER ALL. THIS ENRAGED ALL FOUR BOARDS OF DIRECTORS OF CO-OWNERS SINCE IT THOROUGHLY COMPROMISED THEM AND WISE IN EYES OF MINEROPERU. INTERNATIONAL TELEPHONE CALLS BETWEEN WISE AND CO-OWNERS THEN TRANSPRIRED, WITH HARSH WORDS BEING SPOKEN BY NEW YORK PARTIES ABOUT CHASE, AND WISE SAYS RECORDS THESE CONVERSATIONS (WHICH WISE BELIEVES WERE BUGGED) HOPEFULLY INDICATE TO MINEROPERU THAT WISE AND HIS FELLOWS ACTING IN GOOD FAITH. HOWEVER, THIS INCIDENT HAS SO ANNOYED BOARDS OF DIRECTORS, MANY MEMBERS OF WHICH HAVE OPPOSED CUAJONE IDEA SINCE ITS INCEPTION IN 1969--WISE MENTIONED CERRO DE PASCO, PRESIDENT OF ASARCO (BUT NOT BARBER), AND PRESIDENT OF NEWMONT MINING--THAT CO-OWNERS SERIOUSLY CONSIDERING THROWING IN THE TOWEL. WISE RELUCTANT SPEAK TO THEM ON BUGGED LINES AND THUS ASKS DEPARTMENT ASSISTANCE IN ASCERTAINING THEIR VIEWS, AFTER TEMPERS HAVE COOLED AND THEY "HAVE COME DOWN TO EARTH."

3. WITH REGARD TO FOREIGN FIRMS, MINEROPERU NOW HAS COME UP WITH WHOLE SERIES OF NEW CONDITIONS, INCLUDING (AMONG THE MOST ONEROUS) THE FOLLOWING: A) SINCE ALL WIREBARS (AGAINST ASARCO'S ADVICE) WILL BE SOLD TO U.S. COMPANIES, THREE EUROPEAN COMPANIES WHO DO NOT HAVE REFINERIES WILL BE FORDED TO ASK MINEROPERU FOR DISCOUNT ON PRICES OF TOLLING IF SCHEME IS TO BE ECONOMICAL FROM THEIR POINT OF VIEW; B) EUROPEAN BUYERS' PAYMENTS ARE TO BE MADE CIF EUROPEAN PORTS, BUT THIS CONDITION NOT FEASIBLE FOR CATHODES BECAUSE OF TECHNICAL REASONS; C) MINEROPERU HAS REMOVED CLAUSE FAVORABLE TO FOREIGN COMPANIES, WHICH STATED COST OF REFINING WOULD BE BASED ON WORLD COPPER PRICE, AND HAS SUBSTITUTED HARSHER CLAUSE BASED ON LABOR AND FUEL

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LIMA 04853 180011Z

COSTS AS WELL.

4. WISE SUBSEQUENTLY PRESENTED OVERVIEW TO EMBASSY OFFICERS, NOTING THAT WITH COUPLE OF EXCEPTIONS MINEROPERU NEGOTIATING TEAM BOTH IGNORANT AND FEARFUL OF REACHING FINAL ACCORD AND ARE THUS COMING UP WITH CONSTANT STREAM OF NEW CONDITIONS AND THAT FOREIGNERS' PATIENCE ALMOST AT AN END. ONE OR TWO KEY MINEROPERU OFFICIALS ACTUALLY WISH NEGOTIA-

TIONS TO FAIL, AND HEAD OF TEAM, BRICENO, DETESTS
MINISTER OF MINES FERNANDEZ MALDONADO AND HAS DONE BEST
KEEP LATTER IN DARK ABOUT REAL PROBLEMS ENCOUNTERED.
FINALLY, WISE HAS BEEN GIVEN VERY LITTLE NEGOTIATING
ROOM BY BARBER, WHO HAS ORDERED HIM NOT TO MAKE ANY
COUNTERPROPOSALS, BUT MERELY TO SIT BACK AND LISTEN TO
MINEROPERU REQUESTS. THIS NEGOTIATION WILL TAKE PLACE
JUNE 18, AND WAS TO HAVE BEEN THE FINAL ROUND,
ALTHOUGH UNDER PRESENT CONDITIONS IT OBVIOUSLY WILL NOT
BE. WISE SAID HE PERSONALLY NOT TOO HOPEFUL THAT BREAK-
THROUGH CAN BE ACHIEVED IN TIME BEFORE PATIENCE ON BOTH
SIDES RUNS OUT, AT WHICH POINT FOUR CO-OWNERS WOULD THEN
OFFER ALL OF SPCC TO PERU, WITH SPCC POSSIBLY RETAINING
MINORITY SHARE AND/OR TECHNICAL ASSISTANCE AGREEMENT.
(WISE REVEALED THAT THIS POSSIBILITY WAS ALMOST PUT FORWARD
LAST APRIL, BUT DISCARDED AT LAST MINUTE BY BARBER DURING
NEGOTIATIONS HERE, AND HAS NEVER BEEN FAR FROM CO-OWNERS'
MINDS.)

6. COMMENT: WISE, WHO SURPRISINGLY CALM AFTER AN
ARDUOUS WEEK, SAID HE WILL TRY TO NEGOTIATE,
BUT SEES NEW DEVELOPMENT MAKING EVENTUAL ACCORD EVEN
HARDER TO REACH. WISE CAME IN ON HIS OWN VOLITION
MERELY TO INFORM EMBASSY AND WAS NOT BLOWING THE
WHISTLE YET. THUS, WISE DID NOT BELIEVE EMBASSY SHOULD
INTERVENE AT THIS TIME, A VIEW WE SHARE, BUT IF IT
APPEARS THAT NEW YORK BACKERS OF PROJECT ARE REALLY
SERIOUSLY CONTEMPLATING ABANDONING NEGOTIATIONS, AND
OFFER GOP SOME SORT OF BUY-OUT FORMULA, IT MAY BE HELPFUL
FOR AMBASSADOR TO APPROACH GOP AT A HIGH LEVEL TO
EXPLAIN OUR POSITION AND EXPRESS HOPE THAT MUTUALLY
SATISFACTORY SOLUTION CAN BE FOUND. WE WOULD APPRECIATE
ANY DEPARTMENT VIEWS ON THIS SORRY SCENARIO IN
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 LIMA 04853 180011Z

ADDITION TO REPORT ON BARBER'S POSITION.
DEAN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptoning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COPPER, METAL INDUSTRY, NEGOTIATIONS, FOREIGN INVESTMENT CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 JUN 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: WorrelSW
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LIMA04853
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740157-1007
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740640/aaaabhuv.tel
Line Count: 156
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: LIMA 4407 AND PREVIOUS
Review Action: RELEASED, APPROVED
Review Authority: WorrelSW
Review Comment: n/a
Review Content Flags:
Review Date: 02 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 JUL 2002 by kelleyw0>; APPROVED <11 MAR 2003 by WorrelSW>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CUAJONE NEGOTIATIONS SUFFER RELAPSE
TAGS: EIND, ENRG, EMIN, PE, CUAJONE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005